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Cap 2

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
WASHINGTON 25, D. C.

February 29, 1952

POWER MEMORANDUM 306R1

SUBJECT: Purchase of Materials, Equipment, and Supplies with Loan Funds

1. The purpose of this revision is to outline the methods now available to borrowers for the direct purchase of all materials, equipment, and supplies with loan funds by power-type borrowers and by distribution-type borrowers for their generation facilities.
2. The purchase of materials and equipment required for generating facilities (including the related step-up substation) and transmission facilities where the loan provides for more than 50 miles of transmission lines shall be by contract which is subject to REA approval (except as provided for in paragraph 3). The following contract forms or subsequent revisions furnished by REA shall be used:

Equipment Contract

REA Form DS-98R2

Equipment requiring acceptance tests to be made on the project site. The term "Acceptance Tests" is intended to mean specific efficiency tests which are outlined in the specifications. Formal competitive bidding is required. (Form PWR-45 should be used for the purchase of such items as transformers, circuit breakers, switchgear, pumps, heaters, condensers, etc.)

Materials Contract -
Conductor

REA Form DS-23OR

ACSR conductor purchased from Wisconsin Electric Cooperative in those instances when PWR-45 (Including Schedules) is not used.

Materials Contract

REA Form PWR-45
(Including Schedules)

(With Schedules I through XIII) - All items on the "List of Materials Acceptable for Use on Systems of REA Borrowers," poles, wood products, and items included in REA standard specifications for pole line construction. In the event the borrower does not wish to ask for formal bids, the "Notice and Instructions to Bidders" should be detached. Only the applicable schedules need be attached

when the contract is executed and submitted to the Power Division. For instance, if poles are the only items of materials being purchased, all schedules except Schedule I may be detached. This form is identical to Form DS-18R7 (with schedules) except for minor revisions to Schedules I, III, and IX. Hence Form DS-18R7 may be used until the supply is exhausted.

Materials Contract

REA Form PWR-45

(Without Schedules I through XIII but with schedules and specifications prepared by the engineer covering the individual items to be purchased) - All other items not included above. This form is identical to Form DS-18R7 (without schedules) which may be used until the supply is exhausted. Formal competitive bidding is required. However, there may be instances where it is in the best interests of the borrower to accept informal quotations rather than to incur the expense and time delay connected with formal bidding procedures. In these instances, if prior Power Division approval has been obtained, the borrower may execute a contract based on informal quotations.

Materials Contract
Amendment

REA Form DS-184R2

Amendments to Forms PWR-45, PWR-45 (Including Schedules), and DS-98R2.

Materials Contract
Amendment

REA Form DS-245

Amendments to Form DS-23OR to change the "Immediate Supply," as defined by Form DS-23OR.

3. The purchase of miscellaneous materials and supplies such as sand, cement, gravel, office and other supplies usually locally obtained and materials, equipment, and supplies required for transmission facilities where the loan provides for 50 miles or less of transmission lines may be by contract or purchase order. The following contract form or purchase order form may be used:

Materials Contract
REA Form DS-18R8
or

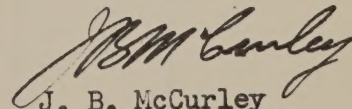
Purchase Order
REA Form DS-T-60

Since the materials contract, Form DS-18R8, contains protective provisions which are beneficial to borrowers, REA recommends that such material and equipment be purchased by contract rather than Purchase Order DS-T-60 except where minor quantities

are required. The purchase order Form DS-T-60, attached, has been prepared as a sample form and the borrower is expected to incorporate all the provisions of this purchase order in the preparation of its own supply of purchase order forms. A limited supply of Form DS-T-60 is available from REA. At the same time a contract or purchase order is placed with a supplier, a copy shall be sent to the Power Division for its information and determination that the order is consistent with the approved plans and specifications and that funds are available in the appropriate item of the loan budget to finance the purchase. However, copies of contracts or purchase orders for minor items of materials reported by work order need not be sent to the Power Division.

4. Specialized equipment such as radio, telephone and carrier equipment may be purchased by purchase order or contract not requiring REA approval, providing proposals to purchase and formal bids or informal quotations on such equipment have received prior Power Division approval.
5. Borrowers may purchase from suppliers of their own choosing office furniture and equipment, transportation equipment, stores equipment, spare parts, shop equipment, laboratory equipment, and tools and work equipment by contract or purchase order within the limits of funds available in the appropriate item of the loan budget. These purchases are not subject to REA approval and copies of such purchase orders or contracts should not be submitted to REA.
6. Established procedures regarding the purchase of materials and equipment must be followed. Deviations will be permitted only with prior Power Division approval and then only when conditions justify such deviations.
7. This supersedes Power Memorandum 306 dated November 9, 1950, and all other existing instructions in conflict with the provisions of this memorandum.

Attachment


J. B. McCurley
Chief, Power Division

S A M P L E

USDA-REA
FORM DS-T-60

PURCHASE ORDER

TO: _____

PURCHASE ORDER NO. _____

DATE _____

REA PROJECT DESIGNATION _____

PLEASE ENTER THE FOLLOWING ORDER FOR MATERIALS SUBJECT TO TERMS AND CONDITIONS SPECIFIED ON REVERSE SIDE

QUANTITY	DESCRIPTION	TIME OF DELIVERY	UNIT PRICE	TOTAL PRICE
TOTAL				

DATE: _____

(Purchaser)

SELLER _____

BY _____

AUTHORIZED REPRESENTATIVE

BY: _____

SIGNATURE

TITLE

DATE

TERMS AND CONDITIONS

1. Prices are f.o.b._____. Sales, purchase, or use taxes shall be billed separately.
2. Payment shall be made within 30 days after delivery of the Materials and receipt of invoice, in duplicate.
3. The Materials furnished hereunder shall conform to the REA Specifications for Materials in effect at the time of acceptance of this Purchase Order by the Seller and shall become the property of the Purchaser when delivered; provided, however, that the Purchaser may reject any such Materials as do not comply with the Specifications for Materials and warranties of the Seller and manufacturers, and any defective materials, either before or after incorporation of such materials into the project; provided such rejection is made within one year of date of delivery. Upon any such rejection the Seller shall replace the rejected materials with materials complying with the Specifications for Materials and warranties, f.o.b. cars at suitable railroad destination. The Purchaser shall return the rejected materials f.o.b. cars at the same destination. In the event of failure by the Seller to so replace rejected materials, the Purchaser may make such replacement and the cost and expense thereof shall be paid by the Seller.
4. The Seller shall indemnify the Purchaser, its agents and employees, from any and all claims, suits and proceedings for infringement of any patent or patents covering Materials. The Seller shall defend any suit or proceeding brought against the Purchaser, its agents or employees, based upon a claim that the Materials or any part thereof constitute an infringement of any patent, or if the Seller shall fail to defend such suit or proceeding, the Purchaser may do so and the Seller shall make reimbursement for the expense of such litigation. If the Materials, or any part thereof, are held to constitute infringement and the use thereof is enjoined, the Seller shall, at its own expense, either procure for the Purchaser the right to continue to use the Materials, or such part thereof, or shall replace the Materials, or such part thereof, with non-infringing materials.
5. Materials furnished shall be only such unmanufactured articles, materials and supplies as have been mined or produced in the United States, and only such manufactured articles, materials and supplies as have been manufactured in the United States substantially all from articles, materials or supplies mined, produced or manufactured, as the case may be, in the United States.
6. *Price Policy.* (Strike out paragraph a or b; if neither is stricken paragraph b shall apply)
 - a. The prices herein are subject to adjustment to conform to the Seller's prices in effect at the time of shipment; provided, however, that such adjusted prices shall in no event exceed the prices permitted by the Office of Price Stabilization or other Government agency having jurisdiction nor shall the increase exceed _____ % of the prices herein.
 - b. The prices herein are subject to adjustment to conform to the Seller's prices in effect at the time of shipment; provided, however, that such adjusted prices shall in no event exceed the prices permitted by the Office of Price Stabilization or other Government agency having jurisdiction, and provided further, however, that if the Seller shall make effective any price increase which shall exceed 10% of the price herein, the Seller shall give the Purchaser prompt written notice thereof and the Purchaser shall have the right at any time prior to shipment to cancel this order as to any unshipped portion without payment of any cancellation charge.